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TAGS: PREL PARM PBTS ECON ETRD MARR CH IN

SUBJECT: INDIAN FM MUKHERJEE'S VISIT TO CHINA: MOMENTUM
WITHOUT PROGRESS

REF: NEW DELHI 1507

Classified By: Acting Political Minister Counselor Ben Moeling. Reason
s 1.4 (b/d).

¶1. (C) Summary: Chinese Government and South Asia scholars agree that Indian External Affairs Minister Pranab Mukherjee's June 4-7 visit helped maintain momentum in China-India relations though the two sides achieved no progress on substantive bilateral issues. Chinese scholars note the Indian media has generated excessive controversy over PLA incursions in the Finger of Sikkim, which creates some bilateral friction, but both sides continue to avoid open conflict on the border. Public attitudes in India and China against granting territorial concessions limit both governments' flexibility in negotiations on the border issue, making a solution to the border dispute unlikely in the near term. Both sides reiterated the goal of raising total trade volume to USD 60 billion by 2010, though neither side discussed significant measures to address a growing trade imbalance in China's favor. End Summary.

¶2. (C) In a June 12 briefing to Beijing-based diplomats, MFA Asian Affairs Department India Division Deputy Director Zhao Lijian said that Indian External Affairs Minister Pranab Mukherjee's June 4-7 visit to China was "useful and constructive" and "positively affected development." Ministry of State Security-affiliated China Institutes for Contemporary and International Relations (CICIR) South Asia scholar Hu Shisheng separately told PolOff that FM Mukherjee's visit was "very quiet" and that no breakthroughs were expected. He added that despite the "unhelpful Indian media," Mukherjee's visit demonstrated that "India is more self-confident" in dealing with China. Our Indian Embassy contact stressed that the significance of the visit is less in the content of the talks than in status of India's interlocutor. By sending Mukherjee, whose influence reaches into the highest levels of the Indian Government, India is reaffirming its desire to maintain a positive course in India-China relations.

¶3. (C) Deputy Director Zhao stated that during Mukherjee's separate meetings with Vice President Xi Jinping and Foreign Minister Yang Jiechi, both sides agreed to strengthen China and India's bilateral cooperation through further meetings this year of existing bilateral mechanisms, including the foreign secretary-level Strategic Dialogue, the Joint Economic Group, the bilateral consultative group on water resource management, and the Annual Defense Dialogue and Mil-Mil Joint Training Exercises. Both sides also touched on cooperation in international and regional groupings, climate change, and food security.

¶4. (C) Deputy Director Zhao stated that during the Beijing meetings, the two sides extended invitations for future high-level visits, including for PRC National People's Congress Chairman Wu Bangguo and State Council Vice President Xi Jinping to visit India in 2008, and for Indian President Pratibha Patil to visit China in 2009. These had already

been discussed during previous visits. FM Yang also confirmed he will visit India later this year.

¶ 15. (C) In addition to his Beijing bilateral talks, FM Mukherjee delivered a speech on China-India relations at Beijing University where he raised the idea of creating a "new framework" for security in Asia. The Chinese side offered no substantive comment, noting that FM Mukherjee did not raise the idea in bilateral meetings. FM Mukherjee also opened the new Indian Consulate in Guangzhou, where he met CPC Central Committee member and Guangdong Communist Party Chief Wang Yang, and visited Sichuan Province to hand over earthquake relief supplies from India.

Finger of Sikkim: Media Hype?

¶ 16. (C) Deputy Director Zhao said FM Mukherjee raised Sikkim with FM Yang (though an Indian Embassy contact who served as interpreter to FM Mukherjee claimed the issue was not discussed specifically), and that both sides agreed to "work together" and take "no unilateral action" in the area. Deputy Director Zhao said that based on historical agreements regarding Sikkim, the border delineation (on the map) is clear but actual demarcation (on the ground) remains unclear in some areas.

¶ 17. (C) Chinese scholars told PolOff that the Indian media has generated excessive controversy over Chinese PLA incursions into the northern end of Sikkim (known as the Finger of Sikkim). Pointing out that incursions by both sides across the border are common because of the lack of demarcation,

BEIJING 00002371 002 OF 003

Ministry of Foreign Affairs-affiliated China Institute of International Studies (CIIS) South Asia scholar Zheng Ruixiang speculated that Indian media stories on the incursions feed an anti-China segment of the Indian population and are used by the opposition Bharatiya Janata Party (whose current leader and former Prime Minister, Atal Bihari Vajapayee, settled the status of Sikkim with China in 2003) to pressure the Indian Government to harden its position on the broader border talks with China. Separately, China Academy of Social Sciences (CASS) South Asia Scholar Ye Hailian agreed that the Sikkim controversy is Indian media-generated but stressed that the lack of actual conflict between the two armies is evidence that both sides respect the border "peace and tranquility" agreements in place.

¶ 18. (C) Noting the absence of Chinese media reporting on Sikkim, CICIR's Hu said the Chinese Government has directed national media to reflect a positive view of China-India relations and wishes to avoid reminding the general public that, in the past, China agreed to India's sovereignty claim over the previously disputed Sikkim territory without receiving any territory in return.

Media Reports Create Bilateral Friction

¶ 19. (C) Our Indian Embassy contact concurred that the Indian media is stoking a controversy where none need exist, pointing out that "China-India relations are on a positive trend" is now an "old" story line in India and consequently, Indian media has struck on the "conflict" theme largely to generate reader interest. Such media reports do create bilateral friction, however, he said, because the Chinese Government suspects that the stories reveal Indian attitudes and positions towards China. Therefore, Chinese officials regularly voice objections to their Indian interlocutors over such reporting.

Border Talks

¶ 10. (C) Discussing the larger border dispute involving Aksai

Chin and Arunachal Pradesh, MFA's Zhao said that both sides will "accommodate each other's concerns" and support ongoing negotiations. While Chinese scholars remain convinced no border conflicts will flare up in the near term, they remain pessimistic that the border dispute will be solved soon. CIIS' Zheng noted that as long as China rejects the validity of the McMahon Line (a line drawn on the map as part of the 1914 Simla Convention, the Line runs approximately 550 miles from Bhutan in the west to the great bend in the Brahmaputra River in the east and shows Arunachal Pradesh as part of India) and India accepts it as the international boundary, the border dispute will not be solved. Zheng added that the fragility of recent coalition governments in India and their vulnerability to public opinion make it unlikely that any Indian Government will have the authority and public support to make compromises on the border. Separately, CICIR's Hu concurred with Zheng's assessment. He went on to say that though the Chinese Government can influence official media coverage on the border dispute, the objections and protests that would appear on blogs and other informal Internet media should the Chinese Government agree to a border resolution that could be interpreted as a concession on China's part complicate border dispute negotiations. "This is something we may have to leave to the next generation," he said.

Tibet

¶11. (C) Deputy Director Zhao said FM Mukherjee reaffirmed Indian support for China on the Tibet issue and added that the Indian Government will continue its policy of not allowing Tibetans in India to carry out anti-Chinese activities. CIIS' Zheng said China appreciates the Indian position on Tibet, in particular the measures India took to ensure a trouble-free Olympic torch run in New Delhi. The Indian Embassy contact also noted that China agreed to grant short-stay visas for Indian pilgrims to visit Tibet.

Imbalanced Trade

¶12. (C) Both sides also reiterated the goal (previously announced during the January 2008 visit of PM Manmohan Singh to China) of reaching USD 60 billion in total bilateral trade volume by 2010. Though China's trade surplus with India continues to grow, neither side raised substantive measures to balance their bilateral trade beyond discussions of holding CEO forums for Chinese and Indian businessman and

BEIJING 00002371 003 OF 003

buying trips for Chinese companies. CICIR's Hu suggested that India's fear of a flood of imported Chinese goods lies behind its lack of recognition of China as a market economy and the lack of progress on concluding an FTA. Hu also said that Indian security concerns have limited the amount of trade passing through Nathu La Pass (on the Sikkim-Tibet border and reopened in 2006), which the Indians consider only "regional border trade."

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